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March 18, 1999

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Via Hand Delivery

Magalie Ramon Salas
Office of the Secretary
Federal Communications Commission
445 12th Street, S.W., TWA-325
Washington, D.C. 20554

Dear Secretary Salas:

PriceInteractive, Inc., through its attorneys and pursuant to Sections 1.415 and 1.419 of the Commission's Rules, hereby submits an original and nine copies of its comments in CC Docket No. 94-129 (In the Matter of Implementation of the Subscriber Carrier Selection Changes Provisions of the Telecommunications Act of 1996--Policies and Rules Concerning Unauthorized Changes of Consumers' Long Distance Carriers).

Please direct any questions regarding this matter to the undersigned.

Sincerely,

Neil S. Ende

Steven D. Hitchcock

Enclosures (original and nine copies)

cc: Kimberly Parker
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Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

In the Matter of

Implementation of the Subscriber
Carrier Selection Changes
Provisions of the
Telecommunications Act of 1996

Policies and Rules Concerning
Unauthorized Changes of
Consumers' Long Distance
Carriers

CC Docket No. 94-129



To: The Commission

COMMENTS

OF

PRICEINTERACTIVE, INC.

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SUMMARY

PriceInteractive, Inc., a major integrated voice response vendor specializing in third party verification services serving dozens of Fortune 500 companies, herein responds to the Commission's request for comments, in CC Docket No. 94-129, on several issues concerning slamming generally and third party verification in particular.

PriceInteractive's technology-enhanced third party verification services ("ETPV") combines the advantages of traditional automated third party verification and live operator third party verification while offering new and important capabilities not available in these alternatives that significantly enhance and safeguard the verification process. PriceInteractive's ETPV system provides a verbatim audio record, eliminates the inevitable fluctuations in live operator verifier quality, is less expensive than live operator third party verification, and yet incorporates the accuracy and security of human review.

In these comments, PriceInteractive sets forth its belief that the Commission should clarify that its third party verifier independence criteria expressly prohibits the carrier from managing or controlling the third party verifier through any form of direct or indirect controlling ownership relationship, and that the Commission should not prohibit carriers from directing the specifics of the verification procedure.

Also, while every reasonable means should be invoked to ensure the integrity of the verification process, the balance of factors weighs against prohibiting telemarketers from being present during the verification call. In particular, substantial inefficiency would enter the verification process if telemarketers were not permitted to initiate a three-way call connecting the potential subscriber to the verifier through the telemarketer's phone system. In addition, PriceInteractive

believes that a "live script" verification procedure is unacceptable and clearly inconsistent with the Commission's rules concerning independent third party verification.

PriceInteractive also believes that the Commission should adopt a self-certification process for third party verifiers. This simple procedure would help safeguard the public interest in ensuring that only eligible entities provide third party verification services.

Moreover, it is PriceInteractive's view that the Commission should eliminate any possible confusion concerning the verification procedure when the LEC is directly contacted by the customer by clarifying that, consistent with the Commission's new requirement that all intraLATA toll changes be verified, each LEC must verify all intraLATA toll changes in which that LEC is the new intraLATA toll provider through one of the three verification method's in the Commission's rules.

Finally, PriceInteractive believes, given the current state of technology, carrier changes submitted over the Internet cannot be considered a valid LOA under the Commission's rules. Therefore, the Commission should order that preferred carrier changes authorized over the Internet must also be verified by one of the three verification methods in the FCC's rules.

PriceInteractive, Inc. ("PriceInteractive"), a company specializing in third-party verification services ("TPV"), through counsel, hereby submits its comments in response to the Federal Communications Commission's ("Commission") Second Report and Order and Further Notice of Proposed Rulemaking (adopted December 17, 1998) ("Second Report and Order") regarding unauthorized changes of consumers' long distance carriers, a practice commonly referred to as "slamming."

I.

BACKGROUND

A

PRICEINTERACTIVE'S TPV OFFERING

PriceInteractive, a 50-employee rapidly growing privately-held Delaware corporation founded in 1991 with headquarters in Reston, Virginia, and sales offices in Philadelphia, Cleveland, Dallas and Bernardsville, New Jersey, is the only major integrated voice response ("IVR") vendor whose founders are still involved in managing the company on a day-to-day basis. PriceInteractive provides IVR services to dozens of Fortune 500 companies, and is the IVR vendor of choice to a wide variety of other companies because of its reputation for outstanding capability, flexibility, reliability and overall performance. PriceInteractive's clients also include many of the most demanding companies in the telecommunications industry, including AT&T, MCI-Worldcom, Sprint, the Home Shopping Network, H&R Block and Western Union.

PriceInteractive's IVR platform has been in operation since 1994 and is one of the most technologically advanced of its kind. PriceInteractive's platform operates on Pentium-processor personal computers, utilizing open architecture "off-the-shelf" voice processing components. In

addition, PriceInteractive owns its own source code, giving it the ability and flexibility to promptly meet the ever-changing needs of its customers through in-house targeted software upgrades.

PriceInteractive uses its IVR platform to provide a wide variety of services to its clients. Among these services is a state-of-the-art technology-enhanced third party verification service ("ETPV") available telecommunications services providers. PriceInteractive's technology-enhanced third party verification services combine 100% human verification with state-of-the-art speech recognition technology in a unique and secure four-stage verification process. PriceInteractive's ETPV system is typically configured to operate as follows: when a telecommunications company's sales agent is ready to transfer a caller for verification, the agent conferences the caller and the agent to the system. The system prompts the agent to enter the caller's phone number ("BTN") and birth date via touch tones. The system then asks the caller a series of questions designed to confirm the caller's agreement to switch its telecommunications service provider. The system captures each response as given, provides a brief ending message and then terminates the call. All responses are recorded and are run through state-of-the-art speech recognition software to determine whether the caller responded in the affirmative or in the negative to each of the scripted inquiries. The results of this analysis are entered into a database, which is then used in the verification process.

The agent's role in the verification process is further defined by which option the agent selects. The agent can then drop off the line ("Immediate Drop-Off"), remain on the line with the ability to interrupt or terminate the call ("Optional Interrupt/Terminate"), or remain on the line with the ability to interrupt and restart the call ("Optional Interrupt/Restart"). Under the Optional Interrupt/Terminate option, the agent can interrupt and terminate the system, can stay with the system and answer questions, and, if the agent wishes, the agent can conference the caller with the system again and begin the verification process anew. Under the Optional Interrupt/Restart, the agent can stay on the call, and can interrupt and restart the call at the beginning, immediately after the opening message to the caller, or at any of the subsequent prompts.

One advantage of the PriceInteractive ETPV system is that it is truly interactive in real time; that is, the system is able to evaluate each response as given and to modify the scripted questions as appropriate. For example, if the caller responds in the negative to the inquiry regarding his/her desire to switch telecommunications providers, the system will restate the question. Or, if the caller answers questions in an inconsistent manner, the system will restate the questions again to resolve the conflict. If a conflict remains, a human verifier will make the ultimate determination.

After the verification call has been successfully completed, all responses are subject to an independent human review. The results of the human review are compared to the results of the speech recognition review to confirm each response. Where a conflict is found, a second human review is performed by supervisory personnel. Through this multi-stage process, PriceInteractive is able to ensure the accuracy of its data to a very high degree of certainty, well beyond that available through systems that only use either human or automated verification systems, but not both.

As set forth below, PriceInteractive believes that the Commission should adopt rules that facilitate the use of state-of-the-art ETPV systems. When operated by independent service providers like PriceInteractive, ETPV systems provide the best available protection against unauthorized changes in customers' long distance and/or local carriers.

В.

ISSUES RAISED IN THE SECOND REPORT AND ORDER THAT ARE OF CONCERN TO PRICEINTERACTIVE

In the Second Report and Order, the Commission requests comments on several issues of concern to PriceInteractive. First, the Commission seeks comment on the relative advantages and disadvantages of automated third party verifiers as opposed to "live" operator verifiers. In particular,

the FCC seeks comment on whether automated third party verification systems (as described in the Second Report and Order²) "would comply with [the Commission's] rules concerning independent third party verification, as well as with the intent behind our rules to produce evidence independent of the telemarketing carrier that a subscriber wishes to change his or her carrier." Second Report and Order, ¶ 167. The FCC also seeks comment on whether the "live-scripted" version of automated third party verification offered by commenter VoiceLog "would be at odds with [the Commission's] rules because it permits the carrier itself, who is not an independent party located in a physically separate location, to solicit the subscriber's confirmation." Id.

Second, the Commission seeks comment on opposing viewpoints arguing in favor of automated third party verification, on the one hand, and live operator verifiers, on the other, as well as comment on alternatives to using third party verification systems and any proposals to improve the quality of the third party verification process. The Commission noted that some commenters argue that automated third party verification is more economical than live verifiers and that automated systems may indicate the subscriber's state of mind because the subscriber's tone of voice is recorded, while other commenters maintain that live verifiers are more effective because a live operator can answer a subscriber's questions. Id.

Third, the Commission tentatively concludes that it should revise its independent third party

The Commission, in the Second Report and Order, describes automated third party verification systems as "generally work[ing] as follows: after obtaining a carrier change request from a subscriber through telemarketing, the telemarketing carrier sets up a three-way call between the subscriber, the carrier, and the automated verification recording system. The recording system then plays recorded questions and records the subscriber's answers to those questions. Presumably the system would record both the questions asked by the system and the answers given by the subscriber. With some systems, the telemarketing carrier remains on the call during the verification, while in other systems the telemarketing carrier may hang up on the call after connecting the subscriber to the third party verifier." Second Report and Order, ¶ 167.

verification rules and seeks comment on whether a third party verification can be considered "independent" if a telemarketing carrier is present during the third party verification.³ The Commission had previously concluded that "using a three-way call is often the most efficient means by which to accomplish third party verification." Second Report and Order, ¶ 166.

Finally, the Commission requests comments on the following additional issues affecting TPV: (1) whether the FCC should adopt a self-certification process for third party verifiers; (2) whether the FCC should clarify that LECs must verify changes in a subscriber's intraLATA long distance carrier where the new carrier is the LEC itself; (3) what clarifications should be made for carrier changes using the Internet; and (4) how the term "subscriber" should be defined to determine which person(s) should be authorized to make changes in the carrier(s) for a particular account.

As explained below, PriceInteractive believes that ETPV offers the best mechanism for meeting the Commission's verification objectives. PriceInteractive's comments on the specific issues raised in the Second Report and Order are presented below.

II.

COMMENTS

A.

TECHNOLOGY-ENHANCED TPV IS SUPERIOR TO LIVE OPERATOR TPV AND TRADITIONAL AUTOMATED TPV

ETPV represents a quantum leap forward in the capability and the reliability of third party

³ NAAG has previously suggested in its comments that "independent third party verification should be separated completely from the sales transaction, so that a carrier would not be permitted to conduct a three-way call to connect the subscriber to the third party verifier" because, NAAG argued, "a verification call initiated by the carrier is not truly independent because the subscriber would remain under the influence of the carrier's telemarketer during the verification." Second Report and Order, ¶ 166.

verification service. Indeed, ETPV maintains each of the advantages of traditional automated TPV and live operator TPV while offering new and important capabilities not available in these alternatives that significantly enhance and safeguard the verification process. First, like traditional automated TPV, ETPV provides a audio record of the customer's responses. An audio record provides indications of the customer's state of mind (e.g., is the customer truly consenting to the preferred carrier change or is the customer confused?) and removes human memory limitations (would a live operator verifier, after verifying dozens or hundreds of calls, be able to recall the details of a particular verification attempt?). When the carrier wishes to audit or monitor the verifications, or a dispute arises over a particular verification, the audio record will provide an exact replay of what was PriceInteractive's ETPV system also has the capability to record the verification questions, an attribute commonly found in traditional automated TPV. However, since PriceInteractive's questions are scripted (eliminating any possibility of undesired variation), PriceInteractive does not generally record the questions in order to maximize efficiency and minimize costs. When necessary, PriceInteractive can overlay the scripted questions onto the customer responses to create a complete recording of the verification call.

Second, ETPV eliminates the inevitable variations in the quality associated with live operator verifiers, and minimizes the possibility both of human error with live operator verification and operator-based fraud in the verification process.

Third, as with traditional automated TPV, the audio recordings generated by ETPV are difficult to alter and/or falsify. As VoiceLog argues at page 7 of its August 13, 1997 comments in this docket, alteration of audio recordings is very costly and requires specially-designed equipment and expertise. In addition, as VoiceLog also notes, the availability of the tape recordings from the

third party verifier facilitates the process of having them admitted in any necessary legal proceedings, creating a further deterrent effect. <u>Id.</u>

Fourth, again like traditional automated TPV, ETPV is generally less expensive than live-operator TPV. Indeed, the per transaction charges associated with ETPV generally range from \$0.50 to \$1.25 per transaction, depending on the transaction volume and the options selected by the carrier, whereas live-operator TPV generally costs at least three to four times as much. <u>Id.</u>, p. 9. Moreover, the ETPV process is as much as 50% faster than the similar process using live operator verification procedures, which further enhances overall efficiency, reduces hang-ups and maximizes the probability a caller will complete the verification process.

Fifth, to the extent human judgment is viewed as a benefit of the live operator verification process, ETPV systems can readily incorporate human review into their procedures. Indeed, as noted above, PriceInteractive's ETPV already subjects every call to human verification. Unlike traditional TPV, however, independent⁴ human review is used in addition to the initial review by speech recognition software, the combination of which has proven to be extremely accurate and reliable. Moreover, with PriceInteractive's ETPV, where there is any discrepancy between the scoring of a call by the speech recognition software and the human reviewer, the call is subject to a second and final human review procedure.

Therefore, with PriceInteractive's ETPV, each verification call is subject to at least two and, when necessary, three stages of review to ensure that the caller's results are accurately recorded. Human judgment is not sacrificed in favor of automation, nor are the clear benefits of automation

The independence of the human review is achieved by PriceInteractive through ensuring that the human reviewer does not know how the speech recognition software interpreted the responses during the verification call.

ignored in favor of human judgment. Each procedure is given its due and properly employed to ensure the accuracy of the result.

As with most comparisons between the capabilities of man/woman and machine, the answer is that neither is better in all circumstances. Unlike traditional live operator or automated verification procedures, ETPV takes full advantage of state-of-the art speech recognition and data processing technologies while maintaining direct human involvement and checks. The result is a verification process that is not only more accurate and reliable, but also more efficient. ETPV is, therefore, clearly the better choice for carriers, customers and regulators alike.

B.

CONSIDERATIONS OF INDEPENDENCE

1. The Commission Needs to Clarify the TPV "Independence" Criteria Set Forth in the Second Report and Order

In paragraph 71 of the Second Report and Order, the Commission sets forth, as one of the criteria of TPV "independence," that "the third party verifier should not be owned, managed, controlled, or directed by the carrier." The Commission, however, appears to be using the words "owned," "managed," "controlled" and "directed" to refer only to various types of formal corporate control, and not to refer to some sort of contractual control or an even more informal "de facto" control via a heavy degree of influence. PriceInteractive believes that the Commission should clarify that the TPV independence criteria expressly prohibits the carrier from managing or controlling the third party verifier through any form of direct or indirect controlling ownership relationship. PriceInteractive believes that the Commission's existing rules, definitions and standards regarding control and transfers of control are adequate and should be used to address this issue.

PriceInteractive, however, does not believe that the Commission should prohibit carriers from directing, or having input into, the specifics of the verification procedure. The Commission's jurisdiction over the verification process is derived from its jurisdiction over carriers. Indeed, in most cases, the Commission will not have jurisdiction over the verification company. Thus, both as a jurisdictional matter, and a matter of Commission policy, is appropriate that the carrier be responsible for the verification procedures it elects, including the use of an independent third party verifier. Given this responsibility, the carrier must also be allowed to direct the operations of the verifier and the verification process. PriceInteractive believes that the Commission's rules should be clarified to expressly so provide.

2. The Commission Should Not Prohibit A Telemarketer From Being Present During The Verification Call

The Commission seeks comment on whether it should expressly prohibit the telemarketer from being present during the verification call. Several commenters have expressed concern that, if the telemarketer is allowed to remain on the call, he or she could influence the subscriber's responses to verification inquiries and/or affect the independence of the verification process. See, e.g., Comments of NAAG, cited in Second Report and Order, ¶166.

PriceInteractive is sensitive to the concerns expressed by NAAG and others and supports their efforts to ensure the integrity of the verification process through every reasonable means. However, in this instance, PriceInteractive does not believe that the balance favors an outright prohibition. As an initial matter, a common procedure for initiating the verification process is for the telemarketer to initiate a three-way call, connecting the potential subscriber to the verifier through the telemarketer's phone system. PriceInteractive is informed by its carrier customers that this procedure is critical to

the selling carrier as it allows for an immediate verification of the service order and avoids the substantial inefficiency, expense and loss factor associated with the need for follow-up verification calls.⁵ Thus, there would appear to be a substantial and legitimate justification for allowing the telemarketer to connect the subscriber to the verifier.

The question for the Commission is whether the opportunity for influence or fraud outweighs the practical considerations outlined above. PriceInteractive believes that they do not. As an initial matter, the record before the Commission does not demonstrate that the presence of the telemarketer on the verification call is or has been a significant cause of slamming. Second, with the institution of the new rules and procedures being considered in this proceeding, there is every reason to believe that any current problem will decrease markedly. Finally, as explained above, the adoption of ETPV (as described by PriceInteractive) should further deter any improper conduct by telemarketers and provide the mechanisms to promptly root out any improper practices by telemarketers who are present during the verification call.⁶

Accordingly, while PriceInteractive is sympathetic to the concerns expressed by some commenters, it does not believe that these concerns are of demonstrated significance, or that they cannot be controlled by the implementation of the ETPV system described herein. In contrast, PriceInteractive believes that a blanket prohibition on telemarketers being present during verification calls will impose unnecessary economic costs that cannot be justified.

⁵ PriceInteractive is informed that these costs and inefficiencies include the cost of the follow-up calls themselves (personnel and long distance charges) and the difficulty in locating and speaking with the person who originally agreed to the change in telephone service.

⁶ As described above, PriceInteractive's ETPV service includes human review of all verification calls (in addition to automated review). This human review procedure has proven very effective in isolating improper involvement by telemarketers in verification calls.

3. Compliance is Not Maintained When The Telemarketer Uses a Live Script

The Commission also seeks comment on whether it should allow the telemarketer to read a live script to the potential subscriber to verify his or her decision to change telecommunications carriers. Specifically, at paragraph 167 of the Second Report and Order, the Commission describes a scenario in which the telemarketer sets up a three-way call between the subscriber, the telemarketer and the automated recording system, and then the telemarketer asks scripted questions while the automated recording system records the questions and answers. PriceInteractive believes that this procedure is unacceptable and clearly inconsistent with FCC's rules concerning independent TPV. Unlike the issue discussed above, where the telemarketer merely remains silent on the line, the reading of a "live script" by the telemarketer substantially dilutes the independence of the verification process to an unjustifiable extent without any corresponding improvement in efficiency. Indeed, the reading of the script by the telemarketer in the context of automated verification would, in all likelihood, reduce the efficiency of the process, thereby eliminating any possible justification for the added risk of substantive involvement by the telemarketer. Accordingly, PriceInteractive strongly urges the Commission to adopt rules prohibiting the use of TPV procedures that allow a telemarketer to read the verification script to the potential subscriber.

C.

THE COMMISSION SHOULD ADOPT A SELF-CERTIFICATION PROCESS FOR THIRD PARTY VERIFIERS

PriceInteractive believes that the Commission should adopt a self-certification process for third party verifiers. PriceInteractive agrees with TPV Services, which stated on page 7 of its September 15, 1997 comments in this docket that such self-certification would "further ensure the

integrity of TPV for both the consumer and the carrier/marketer." Similar to the approach suggested by TPV Services, PriceInteractive suggests that the Commission should require any entity seeking to provide TPV services to file a one-page declaration stating that it comports with the explicit criteria (set forth by the Commission in the Second Report and Order) that an entity must meet to satisfy the independence requirement for an independent third party verifier. This simple self-certification process would help safeguard the public interest in ensuring that only eligible entities provide TPV service, while posing minimal administrative burden on both the Commission and the self-certifying entity.

D.

THE COMMISSION SHOULD CLARIFY THAT LECS MUST VERIFY A SUBSCRIBER'S INITIATION IN, OR CHANGE OF, INTRALATA LONG DISTANCE SERVICE WHERE THE NEW INTRALATA LONG DISTANCE PROVIDER IS THE EXECUTING LEC ITSELF

In Paragraph 93 of the Second Report and Order, the Commission states that "in situations in which a customer initiates or changes long distance service by contacting the LEC directly, [] the customer's choice would not need to be verified by either the LEC or the chosen IXC. In this situation, neither the LEC nor the IXC is the submitting carrier [and] [t]he LEC is not providing interexchange service to that subscriber." Although the Commission does not specifically reference a particular toll service (i.e., interLATA or intraLATA), it appears to be referencing interLATA long distance service. Clarification is necessary because, when a customer requests intraLATA toll service from the LEC, the LEC will be both the submitting carrier and the executing carrier. Therefore, the Commission should eliminate any possible confusion and clarify that, consistent with its new requirements that all intraLATA toll changes be verified, each LEC must verify all intraLATA

toll changes in which that LEC is the new intraLATA toll provider.

E.

THE COMMISSION SHOULD ORDER THAT PREFERRED CARRIER CHANGES AUTHORIZED OVER THE INTERNET MUST BE VERIFIED BY ONE OF THE THREE VERIFICATION METHODS IN THE COMMISSION'S RULES

As the Commission recognizes in paragraph 169 of the Second Report and Order, a large number of carriers have started to use the Internet as a marketing device to grow their subscriber base. Consumers are able to submit forms found on a carrier's website to facilitate a switch to that carrier's services. PriceInteractive agrees with the Commission that while this quick, efficient method of "signing-up" should continue to be widely available, "[s]uch availability, however, should be accompanied by measures to ensure that consumers are provided the same safeguards to prevent slamming as [the FCC has] mandated for other forms of solicitation." Id.

PriceInteractive believes that, given the current state of technology, carrier changes submitted over the Internet cannot be considered a valid LOA under the Commission's rules, because, as the Commission recognizes, no Internet sign-up system that PriceInteractive is aware of satisfies the LOA signature requirement. The currently used "electronic signatures," which include typing the consumer's name in a box and the consumer's electronic submission of the form to the carrier, obviously do not adequately replace the consumer's signature on an LOA form. The LOA signature requirement exists because a particular individual's signature is difficult for someone else to forge, a characteristic that "electronic signatures" do not possess. PriceInteractive agrees with the Commission that "the electronic signature fails to identify the 'signer' as the actual individual whose name has been 'signed' to the Internet form . . . and that the electronic signature fails to identify the 'signer' as an individual who is actually authorized to make telecommunications decisions." Id.

numbers, social security numbers and mother's maiden name, provide greater consumer protection than an "electronic signature," they still fail to offer the level of consumer protection provided by the three FCC-authorized verifications methods. While PriceInteractive agrees that the Internet sign-up system should be allowed to flourish, the FCC-mandated slamming safeguards should not be simply disregarded so that Internet sign-up can be more convenient. The FCC long ago determined that the need for verification of preferred carrier changes outweighs the need for convenience. Therefore, the Commission should order that preferred carrier changes authorized over the Internet must be verified

While the other types of information mentioned by the Commission, such as credit card

by one of the three verification methods in the FCC's rules. PriceInteractive believes that, for

example, if an on-line authorization was third party verified over the Internet by capturing the

customer's voice, such verification would be valid under the Commission's rules.

For the reasons set forth above, PriceInteractive, Inc. respectfully requests that the Commission modify its Rules in a manner consistent with the comments stated herein.

Respectfully submitted,

PriceInteractive, Inc.

Neil S. Ende

Steven D. Hitchcock

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Its Attorneys

March 18, 1999

AFFIRMATION OF SERVICE

I, Steven D. Hitchcock, hereby affirm, under penalty of perjury, that I am an associate with Technology Law Group, LLC, attorneys for PriceInteractive, Inc., am over 18 years of age, and am not a party to this action. On the 18th day of March, 1999, the within Comments of PriceInteractive, were served by hand upon the following persons at the addresses indicated:

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Steven D. Hitchcock

Dated: March 18, 1999 Washington, D.C.